

Chavereys

CHARTERED
ACCOUNTANTS

*Monthly
Farming
Update*

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I Policy issues

- 1 The World Trade Organisation talks have collapsed after a disagreement between the US and Indian negotiators over import tariffs. European farmers had feared a deal after the EU had offered to concede some of its market support that has provided protection from foreign competition. COPA and COGECA had estimated the deal would have cost European farmers €30 millions a year.
- 2 EU scientists have concluded that meat and milk from cloned animals is safe for human consumption but concerns have been raised by an expert panel at the European Food Safety Authority. The Authority has recommended the Commission take further steps to address animal welfare issues before any decisions on cloning are taken.
- 3 A Cabinet Office action plan on future food strategy will press the European Union to make it easier to import GM feedstock into Europe. Defra and the Food Standards Agency are to investigate the effects of the EU's GM policy on the livestock sector and the impacts of GM production globally.
- 4 The European Commission has launched a review of the new animal transport regulations.
- 5 The European Commission is proposing to provide funds in excess of €90 millions each year to pay for the purchase and distribution of fresh fruit and vegetables to schools across the EU. The money would be matched by funds from each member state.

II CAP (etc.) support details/payments

- 1 Environment Secretary Hilary Benn has voiced his support for the report prepared by Sir Don Curry on set-aside saying the compulsory measure looked the "best option" and that there was a "strong case for action".
- 2 The Uplands Entry Level Stewardship Scheme is to replace the Hill Farm Allowance Scheme in 2010. The level of support is expected to remain broadly the same.
- 3 The European Commission has demanded the repayment of £55.5 millions from the UK relating to the Arable Area Payments Scheme for 2003 and 2004 after the European Union found the UK guilty of "inappropriate timing of rapid filed visits" and "inaccurate determination of the area eligible for payments". A total of £325 millions is being recouped from member states.
- 4 The European Commission is to donate up to €1 billion in unspent CAP funds from the 2008 and 2009 budgets to developing countries to help boost agricultural productivity.

III Grants/regulations/legislation/environment

- 1 A report prepared by the Renewable Fuels Agency has concluded that Britain should slow its introduction of biofuels into the transport sector. It recommends the target date to introduce 5 per cent renewable fuel to all transport fuel be extended from 2010 to 2013/14.
- 2 With effect from January 2010 the acre as a unit of measurement will be banned by EU legislation.
- 3 Climate Change Minister, Joan Ruddock, has launched a "one stop shop" aimed at helping public and private organisations adapt to the impact of climate change. A new information hub at www.defra.gov.uk/adaptation has been set up.
- 4 The Welsh Assembly is to contribute £23.5 millions towards a £55 millions project to create a Biosciences and Environment Alliance between Aberystwyth and Bangor Universities.

- 5 The North West of England has been allocated £374 millions of Rural Development Programme funding for between 2008 and 2013. The objective is to improve competitiveness in the farming and forestry sectors and boost rural quality of life.
- 6 The Tubney Charitable Trust has awarded Bristol University £850,000 to research hen-pecking.
- 7 Defra is to provide £500,000 to fund two pilot projects exploring how land management can reduce the risk of flooding.

IV Other matters of farm finance and tenure

- 1 The latest report from Plimsoll Publishing suggests that over 3,500 jobs could be lost in the UK fresh produce industry during the next year as businesses endeavour to reduce costs.
- 2 The Association of Labour Providers has launched “The Agency Labour Best Practice and Audit Tool”, a software package to help firms that use agency labour ensure temporary workers are treated fairly.
- 3 The latest survey from the Royal Institute of Chartered Surveyors reports an average increase in land values of 24 per cent in the first half of 2008. The average value is now £5,247 per acre.

V Product prices

A. Crops

- 1 The world’s 2008/09 harvest forecasts, following further updates, continue to predict that this will be a record year (expected total grains production up 2% on 2007/08 to 1,718Mt) and furthermore that the largest sector increase will be wheat (up 9% on 2007/08). Market volatility is reducing over time as wheat harvest in USA, UK and EU progresses with less drama than predicted and as Australian plantings are being met with favourable weather. However, several destabilising factors remain: the popularity of biofuels is continually changing; unexpected additional grain demand from the Middle East; changes to EU set-aside requirements, to name a few. LIFFE wheat futures have steadily fallen over the course of the month: November 2008, 2009 and 2010 futures dropped by £17, £9 and £5 respectively. In Late July, LIFFE wheat for delivery in November 2008, 2009 and 2010 was trading at £132, £140 and £148 respectively. Average prices in late July (£/tonne ex-farm): feed wheat 117, milling wheat 140; feed barley 109; oilseed rape 296; feed peas and beans 180.
- 2 Average potato prices made the annual adjustment to the new crop this month. Old crop demand remained polarised, highly dependent on quality, as stores cleared. New crop became the main focus mid month, with average prices starting at £165/tonne, but dropping back to £148/tonne by the latter part of July as the market stabilised. Prices in late July sat £13/tonne higher than those a year earlier. The free market price at the end of the month was on a par with average prices at £147/tonne, up £25 on July 2007. 2008 crop sales are largely by means of contract with little free market trade. Despite 2008 crops being one to two weeks behind expectation, harvest is progressing better than this time a year ago.
In late July, 2007 crop trade comprised only small levels of Estima at £250 to £300/tonne and Maris Piper at £190/tonne. 2008 crop sales were largely of early maincrop varieties: Set skin Marfona were achieving between £200 and £280/tonne, with quality samples getting up to £300/tonne; semi set skin samples of Marfona and Carlita are changing hands at £145 to £200.

B. Livestock

- 1 Beef prices have dropped back over the course of the month reflecting the drop in demand resulting from high stock levels. Having opened at 156p/kg lw, the average price of steers declined steadily to reach 142p/kg lw by the end of July. Average prices remain 30p/kg higher than those a year earlier.
- 2 UK average lamb prices, after last month's substantial reduction, continued to drop from the opening position of 165p/kg lw down to 130p/kg lw in the early part of the month as higher numbers of animals came to market. The latter part of the month saw prices recover slightly but then drop back further. The average price in late July was 126p/kg lw, 10p/kg above prices a year earlier.
- 3 The average pig price continued to improve in July, albeit marginally. Prices closed the month at 136p/kg lw; an increase of 9p/kg in the month, setting prices 25p/kg higher than those a year earlier.
- 4 The average farmgate milk price for May (reported in July) showed further decline with the average price dropping 0.46ppl to sit at 24.45ppl; just over 6.9ppl above prices in May 2007. Clean milk quota holdings (4% butterfat) were being traded in late July for 0.80ppl; down 0.10ppl, back to the May 2008 average price.

VI Other crop news

- 1 The HGCA Planting Survey reports that wheat acreage is up 14.5 per cent this year, Spring Barley up 14.3 per cent, Winter Barley up 10 per cent, Oats up 3.4 per cent and Oilseed Rape down 1.8 per cent.
- 2 Initial reports from the 2008 HGCA Recommended List trials indicate that winter barley yields are up by about 0.5 tonnes per hectare.
- 3 The latest Cocal harvest report predicts a 14 per cent increase in harvested grains in the EU while the US is forecasting the second biggest corn harvest in 60 years.
- 4 Year-on-year figures for May show that the value of the UK potato market rose by 6.4 per cent or £60 millions. The crisps market grew by 6.5 per cent, oven chips by 10.7 per cent and other potato products by 10.6 per cent.
- 5 The Potato Council has published a guide to the use of energy-monitoring equipment "Improving Energy Efficiency in Potato Stores".
- 6 Growers of sugar beet have rejected the 2009 price offer from British Sugar of £24 per tonne and have commissioned the NFU to return to the negotiating table.
- 7 Sales of British-grown Asparagus were 7 per cent lower than 2007 mainly as a result of poor weather.
- 8 Bellaverde, a new variety of broccoli, which has the flavour of peas, has been developed to encourage consumption by children. The variety has been grown in Lincolnshire and is on sale in Sainsbury's.
- 9 The Agriculture and Horticulture Development Board is to commission an independent review of the method by which top fruit growers levy is calculated.
- 10 Estrella, the first home-grown golden raspberry, grown in Kent, is to be sold by Marks & Spencer this month.

VII Other livestock news

- 1 Defra Secretary Hilary Benn has announced that Government policy “will not be to issue any licences to farmers to cull badgers for TB control”. Although he revealed that £20 millions was to be spent developing cattle and badger vaccines, Defra was forced to accept that only £9.4 millions of this was for “new vaccine work”. In response the NFU and other livestock organisations have withdrawn from talks with Defra on responsibility and cost-sharing.
- 2 The Environment, Food and Rural Affairs Committee has expressed disappointment with the Government’s response to its report on TB in badgers and cattle. The Committee believes the current policy of surveillance, testing and slaughter will not be enough to control the disease until 2015 when a viable cattle vaccine may become available.
- 3 Animal Health and the Welsh Assembly Government has launched an investigation following the discovery of bovine TB in a goat on a farm in Carmarthenshire.
- 4 Following the decision of Dutch and Belgian importers to veto imports of British calves, exports have ground to a halt despite the EU vets deciding not to implement formal trade restrictions after 12 calves reared in Worcestershire tested positive for TB on Dutch farms.
- 5 Slaughterings of beef animals fell by 30,000 in the past 3 months compared to the same period in 2007, a 5 per cent cumulative fall in 2008.
- 6 The High Court has ruled that the tabular valuation system for cattle in its current form is illegal, Lord Justice Stanley Burton said applying table values to high value cattle “offends the principle of equality”.
- 7 The European Food Safety Authority has concluded that a raising of the age limit of cattle for BSE testing from 30 months to 36 or 48 months would have a negligible effect on public health.
- 8 A survey conducted by Quality Meat Scotland has found that 23 per cent of Scottish farmers are planning to increase suckler herd sizes next year while 20 per cent expect to reduce their herds.
- 9 Research undertaken by Dairy UK indicates that Government rules on slurry storage and closed periods for muck spreading will cost the dairy industry £600 millions over the next 10 years. The Nitrates Vulnerable Zones Action Programme will prohibit dairy farmers from spreading organic manure for 3 to 4 months of the year and will force them to have slurry storage capacity equivalent to 5 months output. The plan will also extend the NVZs to 70 per cent of England.
- 10 Dairy UK has launched a campaign “Proud of Dairy” designed to raise the profile of the dairy industry and make Government, the media and the public proud of the British dairy sector.
- 11 First Milk has increased its core milk price by 1 pence per litre.
- 12 Dairy UK has merged with the British Cheese Board.
- 13 Dairy Farmers of Britain has resigned its South East supply contract with the Cooperative Retail Trading Group citing reasons of operational costs. Robert Wiseman has taken the contract.
- 14 The EU Standing Committee for the Food Chain and Animal Health has refused to make any fundamental changes to its controversial sheep EID policy but its implementation has been delayed. Sheep born from 2010 will not have to have individual movements recorded until 2011 and animals born prior to 2010 will not have to be individually recorded until 2012. Those going straight to slaughter will be exempt.

- 15 The European Food Safety Authority has reported that European Commission plans to raise the age limit on consumption of sheep from TSE infected flocks from 3 months to 6 would pose a significantly increased risk of TSE in the animal's lymph nodes.
- 16 The Farm Animal Welfare Council has proposed that castration and tail docking of lambs should not be undertaken without strong justification and that, if warranted, anaesthesia should be used.
- 17 The Environment, Food and Rural Affairs Select Committee has announced an inquiry into the English pig industry to address the falling returns to farmers in the sector.
- 18 The GB Poultry Register in England and Wales is to be extended to cover those poultry keepers with more than 50 birds. An estimated further 24,000 poultry keepers will be affected.
- 19 A ban on importing cattle into Jersey has been lifted after 220 years.

VIII Inputs/Supply businesses

- 1 Ammonium Nitrate production is already fully booked at £382 per tonne, November is available at £385 per tonne and December will shortly be available at £390 per tonne.
- 2 The Pesticides Safety Directorate has banned the use of herbicide products containing aminopyralid following reports that residues of the chemical can affect the growth of vegetable crops.

IX Marketing

- 1 The latest figures from the British Retail Consortium indicate that retail food prices have risen by 7 per cent over the past year. Fresh food has increased the most, by 8.4 per cent.
- 2 Despite the publicity afforded to the 5-a-day campaign, a report commissioned by the Fresh Produce Consortium has found the average person eats 2.5 servings of fruit and vegetables each day.
- 3 The NFU has launched a campaign "Why Horticulture Matters" to "persuade and influence" people about the importance of British fresh produce.
- 4 Despite substantial increases in food sales, growth in packaging has stalled since 2006 according to the Waste & Resources Action Programme.

X Miscellaneous

- 1 Atlas Agriculture and Framlingham Farmers are to merge creating the UK's largest farmer-owned marketing and purchasing group with an annual turnover of £100 millions.
- 2 Portuguese group RAR has bought Hampshire-based Vitacress Salads.
- 3 Long Clawson Dairy, the farmer co-operative, has bought Dairy Crest's Stilton and speciality cheese business, including Hartington Creamery.
- 4 The University of Warwick has launched a consultation period concerning the future of its Kirton Research Centre in Lincolnshire following continuous losses.
- 5 Total Produce has acquired Benfield Philips Ltd, a fruit, vegetable and salads wholesaler based in Southampton.
- 6 John Dykes, a beef and sheep producer from Peebleshire, is the new chairman of the Royal Highland and Agricultural Society of Scotland.
- 7 Christopher Thomas-Everard, an Exmoor farmer, is the new chairman of the National Beef Association.
- 8 Allan Stevenson, a farmer from East Lothian, has been appointed chairman of the Potato Council.

Postscript

Just to prove British newspapers are the best!

1. Commenting on a complaint from a Mr Arthur Purdey about a large gas bill, a spokesman for North West Gas said, “We agree it was rather high for the time of year. It’s possible Mr Purdey has been charged for the gas used up during the explosion that destroyed his house.” (The Daily Telegraph).
2. Police reveal that a woman arrested for shoplifting a whole salami. When asked why, she said it was because she was missing her Italian boyfriend. (The Manchester Evening News).
3. Irish police are being handicapped in a search for a stolen van, because they cannot issue a description. It’s a Special Branch vehicle and they don’t want the public to know what it looks like. (The Guardian).
4. A young girl who was blown out to sea on a set of inflatable teeth was rescued by a man on an inflatable lobster. A coast guard spokesman commented, “This sort of thing is all too common”. (The Times).
5. At the height of the gale, the harbourmaster radioed a coastguard and asked him to estimate the wind speed. He replied he was sorry, but he didn’t have a gauge. However, if it was any help, the wind had just blown his Land Rover off the cliff. (Aberdeen Evening Express).
6. Mrs Irene Graham of Thorpe Avenue, Boscombe, delighted the audience with her reminiscence of the German prisoner of war who was sent each week to do her garden. He was repatriated at the end of 1945, she recalled. “He’d always seemed a nice friendly chap, but when the crocuses came up in the middle of our lawn in February 1946, they spelt out “Heil Hitler”. (Bournemouth Evening Echo).

PENSION -CASHFLOW VIAGRA?

A question?

Would you rather have £60 now or the equivalent of £100 in a year's time.

For the average man in the street there is an obvious answer but when you put the word pension into the equation everything changes.

Exactly what is it that turns people off, the idea of getting old or the perception that your money is tied up until 'retirement'?

Unfortunately there is not a lot that can be done to stop the ageing process but the idea that your money is tied up until retirement is a misconception.

There are few things that HMRC have handed to this industry on a plate but the existing pension legislation is very kind to us.

We have previously explained in this column how you can use a pension fund to buy land and how, after 5 April 2006, you can actually recycle land you currently own through a pension fund and effectively get tax relief.

This eliminates one of the biggest turn offs with pensions - the fact you have to write a cheque to get your tax relief. Quite simply if you own land or commercial property your cashflow need not suffer.

In today's economic climate cash is very much king. In our industry, with spiralling working capital costs, the last thing you want to be doing is writing out a large cheque to a pension fund BUT if you don't you won't save any tax. Whether you like it or not a lot of you are making money and will be paying tax in the next 6 months and this certainly won't be good for cashflow.

If we take a simple example - a farmer makes £100,000 profit to 31 March 2009 - ignoring National Insurance and rounding the tax bands for simplicity he pays tax at 40% on everything over £40,000 - so on his top slice of income £60,000, he pays £24,000 in tax in January 2010.

Including the payment on account for the following tax year in January 2010 he actually writes a cheque for £36,000 on the £60,000.

Now let's throw a pension fund into the mix. He decides to put £40,000 into a Self Invested Pension Fund. The fund gets grossed up by the Government to £50,000 and the farmer can claim an additional £10,000 of tax relief on his tax return. Cash is short so the pension fund buys £50,000 of land off the farmer - effectively giving him his £40,000 back plus a £10,000 tax credit and in addition to this he gets the higher tax relief in January 2010.

Is it really this simple, not quite? In most cases it works and for those of you paying income tax at 40% or Corporation Tax at 30% this really is a very neat scheme.

We welcome feedback on the MFU.

Does this issue raise any questions in your mind?

Would you like more information on a particular item?

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